

***Institutional
Assessment for
NGOs and
self-help
Organisations
Managing
Guarantee
schemes***

Working Paper N°24

Social Finance Unit

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**Institutional Assessment for NGOs and
Self-help Organisations Managing Guarantee Schemes**

Employment Sector
International Labour Office Geneva



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INTRODUCTION

The International Labour Organisation produced this format to guide trainers and consultants in their institutional assessment of organisations managing guarantee schemes. The tool is primarily designed for guarantee schemes managed by non-governmental organisations and self-help organisations i.e. institutions that are neither specialised financial institutions nor subject to supervision by a Central Bank or a similar authority, but that can provide risk-sharing services efficiently because of their close proximity to clients and related information advantages.

The format assumes the involvement of a trained analyst who will conduct the assessment together with the manager and staff of the guarantee scheme. Especially the section on financial indicators can only be completed with full insight into the financial statements of the guarantee scheme. It is advisable for the analyst to send the format to the organisation under review at least some days before the assessment takes place.

1 GENERAL INFORMATION

1.1 Name of the organisation managing the guarantee scheme:

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1.2 Legal status of the host organisation managing the guarantee fund¹:

- | | |
|--|-----------------------------------|
| ☐ Non-profit organisation | ☐ Bank |
| ☐ Governmental organisation | ☐ Corporation |
| ☐ Mutual guarantee society | ☐ Other: |
| ☐ Cooperative, association, etc. | |

1.3 Is the guarantee scheme a stand alone programme or is it one of other services provided by the host organisation¹?

- ☐ Stand alone programme
- ☐ Part of a larger host organisation, namely

1.4 When was the fund established?

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1.5 What's the capital endowment of the guarantee fund¹?

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1.6 Who provided the capital?

(Give either amounts or percentages of the total capital endowment)

National government	
Local government	
Donor funds	
Clients/members	
Other, explain:	

¹ Refer to explanatory notes on pages 9-11.

1.7 Does the guarantee scheme provide individual or portfolio guarantees¹?

- ☐ Individual
- ☐ Portfolio
- ☐ Both individual and portfolio
- ☐ Other:

1.8 Percentage of risk sharing ¹	
1.9 Agreed leverage ¹	
1.10 Actual leverage ¹	
1.11 Minimum and maximum guaranteed loan size	
1.12 Number of active guaranteed loan clients	
1.13 Outstanding balance of guaranteed loans	
1.14 Rejection rate ¹	
1.15 Pay-out rate ¹	
1.16 Net loss rate ¹	
1.17 Portfolio at risk ¹	
1.18 Total operating expenses ¹	
1.19 Total operating income ¹	

¹ Refer to explanatory notes on pages 9-11.

1.20 Return on assets ¹	
1.21 Number of days taken to issue a guarantee ¹	
1.22 Number of days for pay-out of claim ¹	

1.23 Attach the latest balance sheet and profit and loss statement of the guarantee fund.

2 STAFFING

2.1 Number of staff working part-time or full-time on the guarantee programme (full time equivalents)¹:

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2.2 Staff profile:

Position	Years of relevant work experience	Highest level of education attained

2.3 Does the organisation have its own staff training programme¹?

O Yes, describe

.....

.....

O No

¹ Refer to explanatory notes on pages 9-11.

2.4 Does the staff go to courses?

☐ Yes, how often?

☐ No

2.5 Which training providers are used¹?

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¹ Refer to explanatory notes on pages 9-11.

3 MANAGEMENT INFORMATION

3.1 What types of reports are periodically produced by the guarantee fund? Please attach examples of these reports.

Type of report	Frequency	Author(s)	User(s)

3.2 What type of Management Information System is used by the guarantee fund?

- ☐ Manual
- ☐ Computerised: accounting programme and/or spreadsheets
- ☐ Computerised: specially designed management information system

4 IMPACT

4.1 How does the guarantee fund measure additionality¹?

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4.2 How many clients managed to get a loan because of the guarantee fund over the last one year period¹?

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4.3 How does the institution characterize the socio-economic level of its clients¹?

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4.4 Percentage of female clients:

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4.5 Is graduation an explicit objective of the guarantee scheme¹?

☐ Yes

☐ No

¹ Refer to explanatory notes on pages 9-11.

4.6 What is the number of former clients that was able to receive a loan without the backing of a guarantee fund over the last 1 year period¹?

4.7 How many jobs were created as a result of the intervention of the guarantee facility?

4.8 What actions have been undertaken by the guarantee fund to reach financial sustainability¹?

5 CHALLENGES

5.1 Mention the three main challenges facing the guarantee fund.

Instructions for institutional assessment of NGOs and self-help organisations managing guarantee funds

1.2

In case of uncertainty who is “managing” the guarantee fund: What is the legal structure of the institution that authorises pay-outs on claims?

1.3

Part of a larger organisation: A guarantee funds is lodged in a larger organisation, such as a government ministry, a micro-finance institution or an NGO that conducts other activities which are not directly related to the guarantee fund.

Stand alone programme: The activities of the institution are primarily related to the issuing of loan guarantees. In some cases the institution provides business services to their clients as a secondary activity.

1.5

The size of the fund can be stated in USD or in local currency.

1.7

Individual model: Individual businesses are appraised by the guarantee fund and if approved, issued with a guarantee by the guarantee fund. Lenders do not have the right to extend a guaranteed loan without prior approval from the guarantee fund.

Portfolio model: The guarantee fund gives the lender the right to use coverage for all loans to borrowers that meet certain criteria.

1.8

Percentage of risk sharing: In case the percentage is different for different loans, give the minimum and maximum percentage of risk sharing. In case the percentage is different for individually guaranteed loans and loans under a portfolio agreement, give both percentages.

1.9

Agreed leverage: the ratio of outstanding guarantees to the funds of the guarantee scheme as agreed with the lender.

1.10

Actual leverage: the actual ratio of outstanding guarantees to the funds of the guarantee scheme.

1.14

The number of claims rejected divided by the number of claims presented over the last 1 year period.

1.15

Pay-out rate: The value of pay-outs over the last 1 year period divided by the value of outstanding guarantees.

1.16

Net loss rate: The value of pay-outs minus the value of proceeds from recovery over the last year.

1.17

Portfolio at risk: the ratio of total guaranteed portfolio overdue by at least 30 days divided by the total guarantee portfolio (i.e. the maximum potential loss as anticipated at that point in time).

1.18

Total operating expenses: operational expenses including expenses related to pay-outs and provisions for the guaranteed portfolio.

1.19

Total operational income: income including income from fees and interest earned but excluding subsidies and donations.

1.20

Return on assets: Net operating profit over the last year divided by total assets. In case of loss: net operating loss over the last year divided by total assets. Clearly indicate whether the return on assets is positive in case of profit or negative in case of loss.

1.21

Number of days taken to issue a guarantee: from the day the borrower is sent to the guarantee fund, to the moment the guarantee is issued. In case of portfolio guarantees this question is irrelevant.

1.22

Number of days for pay-out of claim: from the day the claim is presented to the guarantee fund, to the moment the amount is transferred to the lender.

2.1

The number of staff including administrative and support staff. Please give the number of full time equivalents, meaning that two staff working half-time for the guarantee programme should be counted as one.

2.3

Does the institution have an institutionalised training programme, which either comprises a programme of regular training sessions for staff or the involvement of external consultants explicitly responsible for staff training.

2.5

Give the name of the training programme and the institution that provides the training.

3.1

Type of report: Describe the type of report and summarise what information they contain.

4.1 and 4.2

Additionality is defined as the number of clients that are provided with formal credit as a direct consequence of the guarantee fund. Additionality is difficult to determine as it is hard to say whether a lender has approved a loan due to the offer of the guarantee, or whether the lender would have provided the loan anyway. Nevertheless the guarantee fund might have a method to estimate the numbers of clients that receive “additional” loans.

4.3

How does the institution characterise the socio-economic level of its clients? In what range on the national income scale are the clients? If possible, relate this to the poverty line.

4.5 and 4.6

Graduation is defined as occurring when a borrower who needed a third party guarantee (the guarantee fund) is now able to borrow from the same lender without this third party guarantee.

4.8

In case the guarantee scheme is not aiming to reach financial sustainability, give the reasons for this approach and indicate how costs will be covered.

Employment Sector – Social Finance Unit

Publications

Working papers

NE 1	1994	D. Gentil & al.	Banquiers ambulants et opération 71 au Togo et au Bénin
NE 2	1994	B. Balkenhol and E.H. Gueye	Tontines and the banking system - Is there a case for building linkages?
NE 3	1995	Douato A. Soedjede	Mécanismes de collecte de l'épargne et de financement de l'entrepreneuriat informel et formel par les banquiers ambulants au Togo
NE 4	1994	M.A. Adechoubou and S.N. Tomety	Les banquiers ambulants au Bénin
NE 5	1994	B. Hane and M.L. Gaye	Les pratiques du marché parallèle du crédit au Sénégal — Leçons pour le système bancaire
NE 6	1994	I. Ba	PME et institutions financières islamiques
NE 7	1994	B. Balkenhol and Ch. Lecointre	Pratiques bancaires dans les opérations de crédit avec les petites et moyennes entreprises en Afrique de l'Ouest
NE 8	1994	I.F. Camara	Structures mutualistes d'épargne et de crédit dans l'Union Monétaire Ouest-Africaine (UMOA)
NE 9	1995	B. Wesselink	Monitoring guidelines for semi-formal financial institutions active in small enterprise finance
NE 10	1995	J. Poyo	Expansion of rural financial services: The development of a community-based rural credit union network in the Dominican Republic (1984-1993)
NE 11	1995	J.P. Krahnen and R.H. Schmidt	On the theory of credit cooperatives: Equity and onlending in a multi-tier system — A concept paper
NE 12	1995	D.W. Adams	Using credit unions as conduits for micro-enterprise lending: Latin-American insights
NE 13	1995	M. Lamberte	Credit unions as channels of micro-credit lines: The Philippine case
NE 14	1995	K.J. Morris	The effects of using credit unions as onlending agents for external lines of credit: The experience of the International Credit Union Movement
NE 15	1996	R. T. Chua and G. M. Llanto	Assessing the efficiency and outreach of micro-finance schemes

NE 16	1996	T. Sparreboom and P. Sparreboom-Burger	Migrant worker remittances in Lesotho: A review of the Deferred Pay Scheme
NE 17	1996	P. Sparreboom-Burger	The performance of the Lesotho credit union movement: internal financing and external capital inflow
N°18	1997	M. Bastiaenen and P. van Rooij	Guarantee funds and NGOs: Promise and pitfalls — A review of the key issues
N°19	1998	P. Mosley	The use of control groups in impact assessments for microfinance
N°20	1998		International Labour Standards and Micro-finance: A Review
N°21	1999	S. Puri and T. Ritzema	Migrant Worker Remittances, Micro-finance and the Informal Economy: Prospects and Issues
N°22	2000	J. Roth	Informal Micro-finance Schemes: the case of funeral Insurance in South Africa
N°23	2000	L. Mayoux	Micro-finance and the Empowerment of Women – A review of the key issues

Monographs

Balkenhol (ed.), *Credit Unions and the Poverty Challenge: Extending Outreach, enhancing sustainability* (1999), ILO Geneva

Balkenhol (ed.), *Banques et petites entreprises en Afrique de l'Ouest – Problèmes et possibilités liés à leur rapprochement* (1996), L'Harmattan

Krahnen and Schmidt, *Development Finance as Institution Building* (1994), Westview Press

Llanto, Balkenhol, Zilkifli, et al. *Asian Experiences on Collateral Substitutes: Breaking Barriers to Formal Credit*. (1996), ILO and Asia Pacific Rural and Agricultural Credit Association, Philippines.

Guides/Manuals

Design and Management of Revolving Credit and Similar Funds in ILO Technical Cooperation Projects, Checklist (1999), ILO, Geneva.

Fonds rotatifs de crédit et de garantie – Répertoire pour une meilleure conception et gestion de ces outils de microfinance dans les programmes de coopération technique de l'OIT (1998), BIT, Genève

Fondos rotatorios y fondos de garantía – Una guía práctica para mejorar el diseño y el manejo de estos instrumentos en los proyectos de cooperación técnica de la OIT (1999) OIT, Ginebra

Making Guarantee Funds work for Small and Micro-enterprises (2000) ILO/SFU and International Training Centre, Turin

Conference reports

The Social Dimension of Finance: A practitioner's Workshop 24-25 April 1997, Geneva Workshop Report. (1997) ILO, Geneva.

1998-1999 Action Programme "Enterprise creation by the unemployed: the role of microfinance in industrialized countries", 2-3 June 1998, Birmingham, Seminar Report. (1998), ILO, Geneva.

Micro-finance in Post-conflict Situations, 15-17 September 1999, Joint ILO/SFU/UNHCR conference report (2000), ILO, Geneva

Enterprise creation by the unemployed: Micro-finance in industrialized countries, 24-26 May 2000, Bonn, Conference Report (2000), ILO, Geneva
